

and can “comparison shop” for life settlement offers. The broker is paid a commission by the buyer if the sale is completed.

Questions to Ask

- Do I still need life insurance protection? Will I qualify for a new life insurance policy in the future?
- If I sell my policy, how will they decide how much cash I get?
- Is this an employer or other group policy? If so, do I need their permission to sell it?
- If I sell my policy, who will be the legal owner?
- Can the policy be resold?
- Will investors have specific information about me, my family, or my health status?
- Is the broker or company I plan to sell to allowed to do business in my state?



Consumer Alert

- If you’re asked to invest in or buy a life settlement, we recommend you contact your state insurance department to learn more about the issues and risks.
- If you don’t have a life-threatening illness and you’re interested in selling your life insurance policy, you should contact your state insurance department for more information.
- If you’ve been contacted by someone who wants you to buy a policy and then sell it immediately, you should contact your state

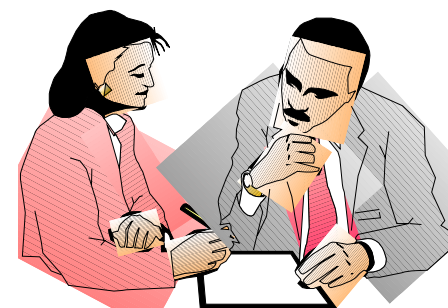
insurance department. It’s possible you’re being targeted to participate in fraud.

Check with Your State

State of Idaho
Department of Insurance
700 West State Street
P. O. Box 83720
Boise, Idaho 83720-0043
208-334-4250
800-721-3272
<http://www.doi.state.id.us>



Selling Your Life Insurance Policy: Understanding Life Settlements



This publication was issued in joint cooperation with the:

National Association of Insurance Commissioners
120 W. 12th Street, Suite I-100
Kansas City, MO 64105
(816)842-3600
<http://www.naic.org>

Understanding Life Settlements

A life settlement is the sale of a life insurance policy to a third party. The owner of a life insurance policy gets cash for the policy. The buyer becomes the new owner and/or beneficiary of the life insurance policy, pays all future premiums, and collects the entire death benefit policy when the insured dies.

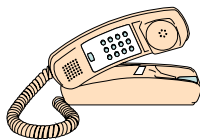
People decide to sell their life insurance policies for many reasons. Some common ones are changed needs of dependents, wanting to reduce premiums, and cash for meeting expenses.

A life settlement may or may not be the right choice for you. Your state insurance department, along with the National Association of Insurance Commissioners, is concerned that many consumers may not fully understand life settlements. Please read on before making any decisions.

Know Your Options

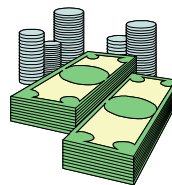
Before you enter into any life settlement transaction, you should:

- Contact your insurance agent or company for information about life settlements.
- Consult with your own financial advisor who knows your personal financial needs.
- Contact your state insurance department for information about current laws.



Consider All Your Options

- Find out if you have any cash value in your life insurance policy. You may be able to use some of the cash value to meet your immediate needs and keep your policy in force for your beneficiaries. You may also be able to use the cash value as security for a loan from a financial institution.
- Review other sources of cash that may meet your financial needs at a lower cost than a life settlement.



Other Considerations

- Contact a professional tax advisor. Find out the tax implications. Proceeds are not tax-free. Know that creditors could claim the proceeds. Find out if you will lose any public assistance benefits such as food stamps or Medicaid if you receive a cash settlement.
- Understand that you will be required to provide certain medical and personal information.

Consumer Tips

- Understand how the process works and when different phases will happen.
- Decide whether to sell your policy directly to a life settlement provider or go through a life settlement broker who will do the comparison shopping for you.

- If you don't use a life settlement broker, comparison shop on your own. You don't have to accept any life settlement offer.
- Check all application forms for accuracy, especially information about your medical history.
- You must be truthful in your answers to application questions.
- Make sure the life settlement provider agrees to put your settlement proceeds in escrow with an independent party or financial institution to make sure your funds are safe during the transfer.
- Find out if state law gives you some period of time to undo the sale. You may have the right to change your mind about the life settlement after you get the proceeds. If you have that right, you'll have to return the money you were paid and any premiums the buyer paid.
- Understand what information the buyer must know about you to buy your policy, and who else might get that information.

Defining the Terms

A **life settlement** is the sale of a life insurance policy to another person or company in return for cash now.

A **life settlement provider** is the person or company that becomes the new policy owner in return for a payment made to the seller. The buyer becomes the policy owner, must pay any premiums that are due, and eventually collects the entire death benefit from the insurance company.

A **life settlement broker** is the person or company who represents the seller of the policy